

OMERS

retired member news

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Investments deliver double-digits again

Another banner year for OMERS investments fuelled Fund growth to **\$47.6 billion**. For the fourth year in a row, OMERS has enjoyed an exceptional investment year. As we detail in the *Report to Members* we recently sent you, our total rate of return in 2006 was 16.4%, which exceeded our benchmark of 13.7%. Such performance continues to help us lower our funding deficit, which had dropped to **\$2.4 billion**, as at December 31, 2006.

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OMERS retired member, Bruce Switzer

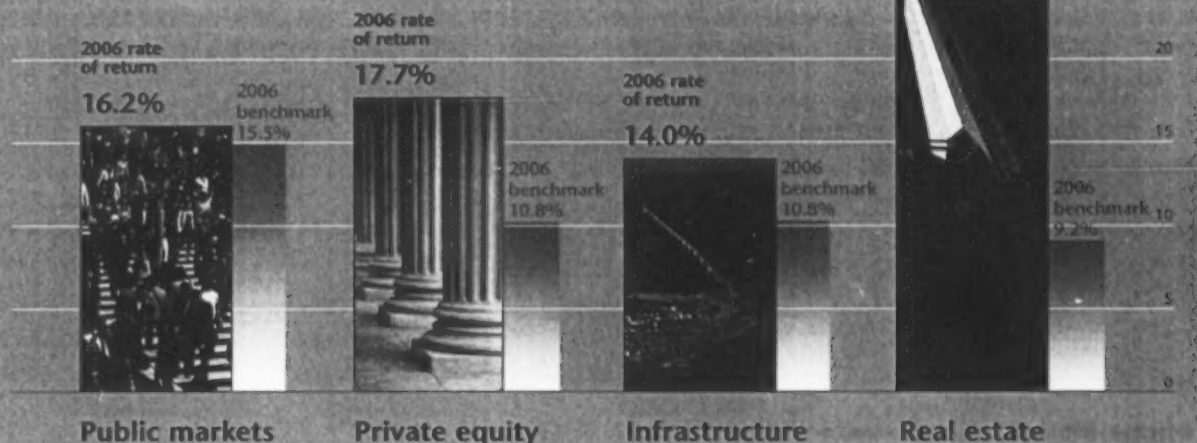
OMERS

Plan for the Future

An OMERS pension is a guaranteed source of inflation protected retirement income. *Retired Member News* keeps over 100,000 retired OMERS members and survivors up to date on plan news and benefits.

Beating the benchmark

Each of OMERS four primary investment groups beat its benchmark



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"OMERS strong returns are largely due to the success of our asset mix strategy," said Michael Nobrega, OMERS President and CEO. "Each of our investment groups performed well in 2006 – beating their respective benchmarks and improving the overall funding position of the plan."

OMERS is continuing to increase its holdings in private equity, real estate and infrastructure from the current 24.2% to 37.5% of net investment assets. "We believe that, in the long term, an asset mix with greater exposure to private market investments will generate strong, predictable returns and consistent cash flow," said Mr. Nobrega.

Industry leader

OMERS is focused on being the

Your OMERS pension is strong and secure

pension leader. "We want to have the best investment management and to deliver superior pension services to our active and retired members and employers," said Mr. Nobrega.

Funding status

Strong investment returns bring OMERS closer to fully funded status. OMERS funding deficit was

\$2.4 billion on December 31, 2006, down from \$2.8 billion on December 31, 2005. The deficit is partly due to actuarial smoothing of investment returns: a portion of the gains over the past four years is deferred and "smoothed" with actuarial assets over the next four years.

In summary

Strong investments enable OMERS to pay lifetime pensions, protected against inflation. The inevitable peaks and valleys of the various markets in which we invest, as well as changing demographics and other factors, mean that OMERS will sometimes record surpluses and sometimes deficits.

"Regardless," summed up Mr. Nobrega, "OMERS pensions are strong and secure."

OMERS real estate: a global enterprise

OMERS asset mix has four distinct investment groups. In recent issues of our newsletter, we've focused on infrastructure, private equity and public market investments. In this issue, we feature real estate.

Oxford Properties Group invests in and manages real estate assets on behalf of OMERS. Oxford owns one of North America's largest income-producing commercial real estate portfolios, worth approximately \$8.5 billion, and has nearly \$15 billion in real estate investments under management in 2006.

Building returns

Real estate investments are an excellent fit for OMERS for several reasons:

- income-producing properties generate strong and sustainable cash flow – this is ideal for meeting OMERS pension obligations;
- over the long-term, the value of actively managed real estate generally increases in step with the rate of inflation – this offsets the inflation exposure of our pension liabilities.

The strategy

"OMERS goal is to develop a global enterprise in the real estate sector," says Michael Latimer, President and CEO, Oxford Properties Group.

"To reach this goal, we will continue to build a diversified portfolio by property type and geographic

market, while balancing the potential rewards against the risks.

"Our strategy also focuses on the investment in and active management of commercial real estate to generate strong rental income," he adds.

Oxford's portfolio reflects the focus on its global investment

strategy. The portfolio includes properties in Canada's major urban centres in the office, retail, industrial and multi-family residential sectors as well as resort hotels. It also includes positions in the United States, and abroad in Europe and Asia through a variety of investment partnerships.

OMERS real estate portfolio highlights

Managed by: Oxford Properties Group

Performance: 26.2% rate of return in 2006, 26.0% in 2005

Assets: Ownership stakes in over 80 properties, including:

- Fairmont Hotels and Resorts (seven iconic hotels) (1)
- Yorkdale Shopping Centre, Toronto
- Scarborough Town Centre, Toronto (2)
- Square One Shopping Centre, Mississauga
- Constitution Square, Ottawa
- Royal Bank Plaza, Toronto
- BCE Place – Canada Trust Tower, Toronto
- Canterra Tower, Calgary (3)
- Brampton Distribution Centre, Brampton

as at December 31, 2006



Michael Nobrega, veteran investment executive, appointed as CEO

The OMERS Board of Directors announced the appointment of Michael Nobrega as President and Chief Executive Officer of OMERS. His appointment was effective March 12, 2007.

As former President and CEO of Borealis Capital Corporation (OMERS infrastructure entity), Mr. Nobrega oversaw the development of this OMERS investment entity that is now a \$5.6 billion portfolio.

Mr. Nobrega has worked closely with OMERS senior management, serving on the investment advisory committee, and providing important guidance to OMERS on a range of regulatory and taxation issues. "We will continue to focus on our primary responsibilities of paying pensions, providing first-rate service to plan participants and earning industry-leading returns on our investments," Mr. Nobrega said.

OMERS will continue its strategy of increasing investments in long-term alternative assets, such as real estate, private equity and infrastructure, to 37.5% of total assets.

"The Board and I remain committed to our asset mix strategy and we remain confident that our investment mix will continue to generate strong, long-term investment returns to meet our pension obligations," Mr. Nobrega said.

David Kingston, OMERS Board Chair, said all Board members are fully committed to Mr. Nobrega as OMERS President and CEO. "The Board's decision was unanimous," Mr. Kingston said. "Michael's leadership qualities, his first-hand knowledge of OMERS, his deep understanding of our investment strategy and commitment to the new governance structure all make him an excellent choice."



Michael Nobrega, President and CEO

OMERS thanks Paul Haggis



Paul Haggis, OMERS President and CEO since 2003, was thanked by the Board for his service to OMERS.

"Paul was brought in to address the changing investment needs of the organization," said Mr. Kingston. "He made many significant contributions during his time here, overseeing a major reorganization, bringing in a strong, new leadership team and implementing a successful new asset mix strategy that has generated exceptional returns. OMERS thanks Paul for his leadership during this important period in our history."

Income splitting could lower taxes

Retirees may be able to reduce their household income taxes when they file their 2007 income tax return in 2008 by using pension income splitting. This new provision was proposed by the federal government in its 2007 budget.

How it works...

The higher-income spouse reduces their reported pension income, while the lower-income spouse increases theirs. (The couple's reported total income remains the same.) Overall, the combined taxes for both incomes could, in many cases, be lower – especially if both incomes are quite far apart.

The retirement income you can split includes payments from OMERS and other registered pension plans, retirement annuities, etc. You can't include payments from government programs, such as Canada Pension Plan (CPP), Old Age Security (OAS), etc. – although the CPP does allow its own form of pension sharing.

What you need to know...

- **There's nothing to do this year.** You set up income splitting when you file your 2007 tax return in 2008. (Both you and your spouse must agree to do this.)
- The higher income earner can allocate up to one half (50% max.) of their retirement income to the lower-income spouse.
- Even if you expect to pay less tax with income splitting,

OMERS can't reduce the amount of tax we're required to withhold from your pension (by both federal and provincial governments, or your country of residence). You can, however, reduce any additional tax amount you've asked us to withhold.

- Pension splitting may also increase the amount of OAS the higher-income spouse receives. OAS starts to be clawed back when after-tax retirement income exceeds \$63,511 (in 2007).
- Talk to a tax expert before you decide to try pension splitting –

find out whether and by how much you may benefit.

Want more information?

Check the Canada Revenue Agency's website at www.cra-arc.gc.ca

This article is intended for the purpose of providing information only. It is not intended nor should it be construed as providing investment, financial planning or legal advice. OMERS is not providing an endorsement of any views that may appear in this article. Members' individual circumstances may differ and members should consult their own professional advisers when considering any particular investment or financial strategy.

Politeness, courtesy, knowledge strong suits: survey



The politeness and courtesy of OMERS Client Services staff were highlighted in a recent market research survey of 843 OMERS active and retired members and employers, conducted by Fleishman-Hillard Canada.

The poll found that in recent calls to our Call Centre, 95% of respondents were highly satisfied with the way they were treated

and the information they received. There was also a very high level of satisfaction with our written materials.

"Our retirees continue to rate OMERS service highest amongst all our members, which is very gratifying," says Jennifer Brown, Senior Vice President, Pensions. "Customer satisfaction is always our primary goal."

Surveys also help to suggest further service improvements. "While it's great to know we're doing well, there will always be things we could do better," continues Jennifer. "These surveys help us to know where to focus our efforts."

Words to the wise for life after work

Retirees sharing helpful thoughts and advice on retirement



The switch from work life to life after work can be planned for, anticipated and enjoyed. But, how best to make the most of it?

We hear from many of our members that retirement can initially be a bit of an adjustment – because it was something they hadn't really thought about in concrete terms.

Adjusting for retirement

OMERS retiree Bruce Switzer admits he wasn't initially prepared for retirement. After 20 years of operating road graders and sanders, he was offered a buy-out package. As with most buy-outs, it was a limited-

time offer, which gave Bruce "little time to make up my mind."

As part of his adjustment to retired life, he's taken on a couple of jobs: delivering auto parts and cutting grass for seniors. The auto-parts job keeps him busy.

"Sometimes I see my regular customers four times a day." As for cutting grass, "I help those who can no longer do this for themselves – so they don't have to move."

His advice on adjusting for and enjoying retirement? "Take the time to prepare for your retirement. Think about how it will affect you and what you're going to do."

Enjoying retirement

Retirement for John Adams means being able to devote more time to his farm, which he's been working for 35 years. This "full-time job" produces cash crops, which rotate from beans, to corn, to wheat.

On a farm, "there's always something to do," says John. "You're preparing for seeding or the harvest, and there's always machinery and farm buildings to fix and maintain." But, he likes the work and the routine.

He has friends who were also on the police force and who initially had a harder time adjusting to retirement. "Some of them were bored, because they hadn't developed any hobbies or interests when they were working."

When he can get away from the farm, John also enjoys fishing and swimming at his cottage.

His advice on adjusting for and enjoying retirement? "You can't be married to your work. It shouldn't be your life." After all, if you are, what happens when your time is your own?

Bruce and John are like many of our retired members. They thought about not having to be on anyone else's schedule, being able to travel and pursue hobbies and interests, and so on...which are all nice things to look forward to. But to enjoy retirement fully, there are some specific things you might consider.

Online advice sharing

On our website we have a collection of retirement tips, tricks and advice from recent and seasoned retirees. These "Words to the wise" are designed to help our members chart their path through unfamiliar waters and are sorted into categories to help you find information on:

Health

"Get into a regular exercise regime. Local community associations have all sorts of programs. Use them!" – Mary, former School Administration Assistant

"Have an annual physical. Be knowledgeable about your own body and ask questions." – Patricia, former Committee Secretary

Finances

"Have a professional financial planner go over your plans. PICK ONE WHO HAS NOTHING TO SELL!" – Will, retired Police Officer

"[Have] no debts; make sure you can afford all your purchases." – Alex, former Building Inspector

Lifestyle

"Try a lot of activities: curling, working out, travelling and just enjoying your retirement. Take on little part-time jobs. Do whatever makes you happy." – Earl, retired Police Officer

"Take at least a year after retiring and rediscover yourself, family and friends, and try to decide what you want to do with the rest of your life." – Barry, former Manager

The bottom line

You've worked hard to reach retirement. This is your time to enjoy, and there are things you can do to make it enjoyable. The consensus amongst our retirees is to look after your health, stay on top of your finances, and keep active with hobbies, travel, part-, full-time or volunteer work. As for providing you with retirement income, we'll be there.



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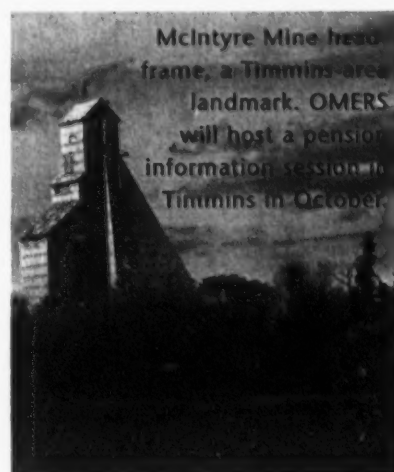
Visit our "Words to the wise" section and complete the questionnaire. We'd like to hear from you, and so would many of our members.

Plan for the future – with OMERS

Learn about your pension at an OMERS pension information session. We'll cover such topics as inflation protection, the CPP, and survivor benefits.

Information sessions scheduled for 2007 (2:00 p.m. to 3:30 p.m.)

Date	Location
July 12	Simcoe Travelodge Simcoe, 385 Queensway West
September 12	Windsor Hilton Windsor, 277 Riverside Drive West
September 26	Ottawa (workshop conducted in French) Holiday Inn Ottawa-Kanata, 101 Kanata Avenue
October 10	Timmins Cedar Meadows, 1000 Rue Norman Street
December 5	Niagara Four Points Sheraton, 3530 Schmon Parkway, St. Catharines



Register early. The sessions fill up quickly. To register, or confirm the meeting location, contact OMERS Client Services or visit www.omers.com.

INFORMATION CHANGE FORM

Please let us know if you change...

Your address

New address:

Effective date:

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New phone #:

			D	M	Y

Note: If your OMERS pension is directly deposited, you can phone your address change to us at 1-800-387-0813.

Your banking (or attach a void cheque)

New bank:

Transit #:

Account #:

Your monthly tax deduction

Please indicate the new total amount of additional tax you would like deducted from your monthly OMERS pension payment: \$

Note: that this amount will replace any additional amount of tax you've previously asked us to deduct.

Please complete and sign

Name:

Date of birth:

			D	M	Y

OMERS reference number:

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E-mail address:

Signature:

Date:

Personal information is collected for pension administration purposes under the authority of section 35 of the OMERS Act, 2006. If you have questions, please contact OMERS Client Services at 416-369-2444 or 1-800-387-0813.

Important!

Please keep OMERS up to date on your address. We need to maintain this information to protect the security of your OMERS pension.

If mail we send you is returned, and we are unable to reach you, we may have to stop your pension payments until we can confirm your updated contact information.

Retiree database checkup

Each year, in late summer, OMERS Internal Audit Department sends verification letters and forms to a small sample of people who receive an OMERS pension. This helps to ensure the integrity of our pension database.

If you receive a verification letter from OMERS, please complete and return it to us without delay.



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While the information in this newsletter is accurate at the time of publication, the OMERS Act, 2006 is the governing source for all plan provisions.